

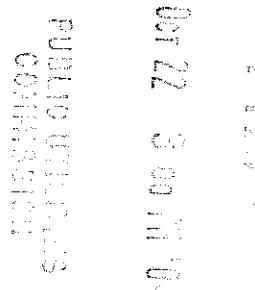
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of)
)
PUBLIC UTILITIES COMMISSION) Docket No. 03-0371
)
Instituting a Proceeding to Investigate)
Distributed Generation in Hawaii.)
)

KAUAI ISLAND UTILITY COOPERATIVE'S
REBUTTAL TESTIMONIES AND EXHIBITS

AND

CERTIFICATE OF SERVICE



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COOPERATIVE

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REBUTTAL TESTIMONIES AND EXHIBITS**

COMES NOW, KAUAI ISLAND UTILITY COOPERATIVE, by and through its attorneys, Oshima Chun Fong & Chung LLP, hereby submits its Rebuttal Testimonies and Exhibits.

DATED: Honolulu, Hawai'i, October 22, 2004.



ALAN M. OSHIMA
KENT D. MORIHARA

Attorneys for KAUAI ISLAND UTILITY
COOPERATIVE

1

REBUTTAL TESTIMONY OF ALTON MIYAMOTO

2 Q. Please state your name, title, and current business address.

3 A. My name is Alton H. Miyamoto. I am President and Chief Executive Officer of
4 Kauai Island Utility Cooperative (KIUC) located at 4463 Pahee Street, Lihue,
5 Kauai, Hawaii 96766.

6 Q. What are your duties and responsibilities, and what education, training and
7 experience do you have incident to the work you are doing?

8 A. Please see my Direct Testimony filed in the subject docket as Exhibit
9 No. KIUC-T-1 (page 1, line 10 through page 2, line 10) for a description of my
10 duties and responsibilities at KIUC and my education, training and experience
11 incident to the work I am doing.

12 Q. What is the purpose of your testimony?

13 A. The purpose of my testimony is to discuss, address and respond to portions
14 of the Direct Testimonies filed by various parties and participants in the
15 subject docket.

16 Q. Whose Direct Testimonies will you be specifically addressing and responding
17 to as part of your testimony?

18 A. The Direct Testimonies submitted by the Division of Consumer Advocacy
19 (Consumer Advocate) and the County of Kauai will be specifically addressed
20 and responded to in my testimony.

21 Q. What concerns does KIUC have with the Consumer Advocate's Direct
22 Testimonies?

1 A. KIUC's concerns with the Consumer Advocate's Direct Testimonies involve
2 the portions that discuss the need to unbundle rates in order for distributed
3 generation (DG) customers to appropriately compensate the utility. See CA-
4 T-1 (page 57, line 13 through page 64, line 8).

5 Q. Have KIUC's concerns with the Consumer Advocate's Direct Testimonies
6 been resolved?

7 A. Yes.

8 Q. Please explain.

9 A. In response to the Consumer Advocate's Direct Testimonies, KIUC asked
10 several information requests on the Consumer Advocate to attempt to clarify
11 what the Consumer Advocate meant by unbundling rates and what other
12 alternatives may be available to accomplish this. See for example, KIUC/CA-
13 DT-IR-5, KIUC/CA-DT/SIR-1 and KIUC/CA-DT/SIR-2.

14 This issue was then further discussed by KIUC and the Consumer Advocate
15 during a separate break-out session that occurred in connection with the
16 settlement conference between the parties and participants on
17 September 30, 2004, as well as in additional subsequent informal
18 discussions. During these discussions, the Consumer Advocate clarified that
19 the term "unbundling of rates," at least as it pertains to KIUC, did not mean
20 the unbundling of KIUC's existing rates for all of its customers. Instead, the
21 Consumer Advocate clarified that the term "unbundling" was intended to
22 mean that a separate charge should be imposed on DG users based on

1 appropriate components in such a manner to ensure that, on a case-by-case
2 basis, the implementation of the DG will not cause the non-DG customer
3 base to subsidize DG implementation. This concept was agreed upon by
4 KIUC.

5 Q. Have KIUC and the Consumer Advocate reached a resolution with respect to
6 all of the issues to be addressed by the parties and participants as set forth in
7 the Commission's Prehearing Order No. 20922 filed on April 23, 2004? If so,
8 please explain.

9 A. Yes. While discussing and clarifying their respective positions on the
10 unbundling issue, KIUC and the Consumer Advocate also discussed and
11 confirmed their positions on the various issues in the subject docket. In doing
12 so, KIUC and the Consumer Advocate reached a collective position on these
13 issues. A copy of the chart reflecting this collective position is attached
14 hereto as Exhibit No. KIUC-RT-101. As a result of this collective position, it is
15 no longer necessary for KIUC to provide a response or rebuttal to each of the
16 statements made by the Consumer Advocate in its Direct Testimonies.

17 Q. Please describe your understanding of the County of Kauai's Direct
18 Testimonies?

19 A. It is KIUC's understanding that the main concerns raised by the County of
20 Kauai against KIUC in its Direct Testimonies result from the County's
21 understanding that: (1) KIUC has not yet developed clear DG policies and
22 plans or intentions to own or operate DG systems, and (2) KIUC has not

1 formulated a plan for soliciting member input and direction on DG issues. See
2 COK-T-1 (page 2, lines 3 through 6). In that connection, the County of Kauai
3 in its Direct Testimonies recommended that the Commission use the subject
4 docket to develop a framework for KIUC to guide its utility activity in the DG
5 market. See COK-T-1 (page 2, lines 7 through 9). Specifically, the County of
6 Kauai urged the Commission to employ a regulatory framework to make
7 certain KIUC develops concrete criteria for developing and evaluating DG
8 policies and business strategies, such as what forms of DG are feasible and
9 viable for Hawaii, and that such a criteria is developed through a public
10 process in order to solicit maximum member input and to apply the criteria
11 uniformly. See COK-T-1 (page 3, lines 5 through 11).

12 Q. Is it KIUC's understanding that the County of Kauai's issues with respect to
13 KIUC in the subject docket have been resolved? If so, please explain.

14 A. Yes. Following the September 30, 2004 settlement conference among the
15 parties and participants, KIUC and the County of Kauai agreed to meet
16 separately to discuss their respective positions in the subject docket. This
17 meeting occurred on October 7, 2004. During this meeting, it became clear
18 in KIUC's opinion that the purpose of the County of Kauai's statements in its
19 Direct Testimonies and its concerns in the subject docket focused solely on
20 ensuring that KIUC's members, who are also residents and taxpayers of the
21 County of Kauai, had suitable means of providing input to KIUC to ensure
22 that their interests can be appropriately taken into consideration by KIUC in

1 deciding whether DG should be implemented and what procedures should
2 apply. At this point, KIUC recognized that the County of Kauai's and KIUC's
3 interests in developing a suitable means for members to provide input were
4 actually aligned. As stated in KIUC's response to HREA-KIUC-SIR-1, "KIUC
5 is in strong support of consulting with its membership on the role of KIUC in
6 the DG market. In fact, it is one of the defining characteristics of a member
7 owned electric cooperative such as KIUC that the members' opinions are
8 welcome and in-fact are solicited." In addition, in my Direct Testimony (KIUC-
9 T-1), I also stated, "... input from KIUC's members will be welcomed. Focus
10 groups will be asked for views on priorities members would like the Board of
11 Directors to consider for the future" (KIUC-T-1, page 11, lines 9 through 11)
12 and "The Board, with input from its members. . . , will decide on how best it
13 believes distributed generation should be implemented or initiated." (KIUC-T-
14 1, page 12, lines 12 through 14).

15 Recognizing that their interests were now aligned, KIUC and the County of
16 Kauai then discussed what process could be put into place to ensure that this
17 member input could be provided and appropriately taken into consideration
18 by KIUC. In the end, it is KIUC's understanding that the County of Kauai
19 agreed that this input process could be accomplished through KIUC's
20 development of its first Integrated Resource Plan (IRP) framework to be filed
21 with the Commission by the end of the year. In that connection, KIUC's
22 management has agreed to recommend to its Board to authorize

1 management to distribute copies of this framework for public review
2 beginning on or about November 1, 2004, that it be posted on the KIUC
3 website, and that members be informed and invited to provide any comments
4 to this framework, through written testimony or by testifying, in advance of or
5 at the Board's upcoming November meeting. See Exhibit No. KIUC-RT-102
6 for a copy of my letter to the County of Kauai with respect to the above.
7 Based on the above, it is KIUC's understanding that the County of Kauai's
8 issues and concerns with KIUC in the subject docket have been resolved to
9 the County's satisfaction.

10 Q. Why are you and/or KIUC not specifically addressing and responding to the
11 Direct Testimonies submitted by the other parties and participants in the
12 subject docket?

13 A. KIUC is not specifically addressing and responding to the Direct Testimonies
14 submitted by the other parties and participants in the subject docket because
15 it is KIUC's position and belief that those Direct Testimonies are either not
16 applicable to or were not directed at KIUC.

17 Q. Please explain.

18 A. With respect to the Direct Testimonies filed jointly by Hawaiian Electric
19 Company, Inc., Hawaii Electric Light Company, Inc. and Maui Electric
20 Company, Limited (hereinafter, HECO/HELCO/MECO), it is KIUC's belief that
21 the positions taken by HECO/HELCO/MECO in its Direct Testimonies were
22 intended to focus only on DG as it applies to HECO/HELCO/MECO as an

1 electric public utility, and was not intended to focus on or be directed at KIUC.
2 As such, KIUC does not have any issues or concerns with any of the
3 statements made or positions taken by HECO/HELCO/MECO in its Direct
4 Testimonies as they apply specifically to HECO/HELCO/MECO.
5 With respect to the other parties and participants in the subject docket that
6 filed Direct Testimonies (i.e., Hess Microgen, Life of the Land, Hawaii
7 Renewable Energy Alliance and the County of Maui),¹ it is KIUC's position
8 and belief that the focus of these Direct Testimonies was on the investor-
9 owned electric utility HECO/HELCO/MECO, and not on KIUC, a cooperative
10 utility owned by its member/customers, and as such KIUC does not believe it
11 is necessary to address or rebut these Direct Testimonies. KIUC's position is
12 based primarily on KIUC's understanding of these parties and participants'
13 respective positions and the limited number of information requests issued by
14 these parties and participants on KIUC's Direct Testimonies (KIUC-T-1 and
15 KIUC-T-2). In addition, the information requests that were issued by these
16 parties and participants on KIUC do not appear to raise any material
17 concerns with KIUC's positions, but rather appear only to seek additional
18 information and clarification from KIUC with respect to its position on various
19 matters, as well as to receive further clarification on the differences in a utility

¹ It should be noted that the Department of Business, Economic Development, and Tourism also filed Direct Testimony in the subject docket. However, because they withdrew from the subject docket on August 2, 2004, KIUC does not believe it necessary to provide any response or rebuttal to that Direct Testimony.

1 being investor-owned (such as HECO/HELCO/MECO) versus being a
2 cooperative owned by its member/customers (such as KIUC).

3 Q. Are there any others reasons why KIUC believes no specific response or
4 rebuttal is necessary to the Direct Testimonies filed by HECO/HELCO/MECO,
5 the County of Maui, Life of the Land, and Hawaii Renewable Energy
6 Alliance?

7 A. Yes.

8 HECO/HELCO/MECO. In addition to setting forth the collective position of
9 KIUC and the Consumer Advocate on the various issues in the subject
10 docket, Exhibit No. KIUC-RT-101 also reflects HECO/HELCO/MECO's
11 position on these issues resulting primarily from discussions that KIUC
12 understands occurred between the Consumer Advocate and
13 HECO/HELCO/MECO. As reflected on said Exhibit, the respective positions
14 of KIUC and HECO/HELCO/MECO are either aligned or at least do not
15 contradict one another in such a manner as to warrant any specific response
16 or rebuttal by KIUC.

17 County of Maui. With respect to the County of Maui, even if its Direct
18 Testimonies were intended to apply to both KIUC and HECO/HELCO/MECO,
19 it is KIUC's position that the County of Maui's Direct Testimonies should
20 apply only in the context of HECO/HELCO/MECO and not to KIUC. The
21 reason is that the County of Maui's interest in the subject docket lies only in
22 its customer relationship with the Maui Electric portion of

1 HECO/HELCO/MECO. The County of Maui is not a customer of KIUC and is
2 not located within KIUC's authorized service territory, and as such has no
3 interest in the subject docket that would justify its position being applicable to
4 KIUC. Moreover, in its response to KIUC's information request KIUC/COM-
5 DT-IR-3b, the County of Maui confirmed that it did not have any interest with
6 respect to the ownership of DG facilities by KIUC.

7 Life of the Land. With respect to the Life of the Land, KIUC does not believe
8 it is necessary to provide any rebuttal to the statements made in the Life of
9 the Land's Direct Testimony even if its positions were intended to apply to
10 KIUC. This is because KIUC agrees, in concept, with the statements made
11 by the Life of the Land regarding the possible advantages that locally
12 available renewable energy may provide over a continued reliance on
13 imported fossil fuels. However, as discussed in KIUC's Direct Testimonies,
14 the extent to which renewables specifically and other DG in general should
15 be pursued by KIUC must be determined on a case-by-case basis, taking into
16 consideration and weighing such factors as (1) what is necessary for the
17 prudent, sound and conservative fiscal management of KIUC, such as the
18 need to build equity especially in KIUC's early formative years, (2) KIUC's
19 ability to comply with regulatory and lender requirements and approvals, and
20 (3) the strategic interests of KIUC's member/customer base (i.e., the owners
21 of the cooperative), including but not limited to their interest in KIUC pursuing
22 ownership of DG and renewables. As mentioned in KIUC-T-1, KIUC is in the

1 process of developing an equity management plan that will assist it in
2 balancing the above interests. For further information on this equity
3 management plan, see KIUC-T-1 (page 10, line 6 through page 12, line 17).
4 Hawaii Renewable Energy Alliance. As indicated above, KIUC does not
5 believe it is necessary to provide any specific rebuttal or response to Hawaii
6 Energy Renewable Alliance's (HREA) Direct Testimonies because it is
7 KIUC's understanding that these Direct Testimonies were not directed at
8 KIUC and that HREA's issues and concerns are specifically with
9 HECO/HELCO/MECO. This understanding was further supported in a recent
10 discussion with HREA. KIUC continues to stress the differences between
11 KIUC and HECO/HELCO/MECO and their respective situations, and how
12 these differences impact KIUC's positions with respect to the issues in the
13 subject docket. See, e.g., KIUC-T-1 (page 3, line 1 through page 12, line 17)
14 and KIUC-T-2 (page 2, line 3 through page 9, line 8, and page 20, line 6
15 through page 36, line 2).

16 Q. Does this conclude your testimony?

17 A. Yes.

**EXHIBIT
KIUC-RT-101**

**Comparison of the Consumer Advocate's, KIUC's and HECO's Positions
on Distributed Generation (DG) Issues**

Planning Issues		Agree	Disagree	No Position	Comments
1) What forms of distributed generation (e.g., renewable energy facilities, hybrid renewable energy systems, generation, cogeneration) are feasible and viable for Hawaii?					
(A) DG Definition - DG involves use of small scale electric generating facilities located at or near the load.					
"Small" is relative to utility system loads and to the loads of large customers, and the location on the utility's grid.					
The following generally sets forth the range of values for establishing the upper size limit of a generating facility to be considered as DG (1-2 MW for Hawaii, 6-12 MW for Oahu, 1-2 MW for Maui, up to 1 MW for Lanai and Molokai, 1-2 MW for Kauai).	CA KIUC HECO				* KIUC has no position regarding the magnitude estimates for Hawaii, Oahu, Maui, Lanai and Molokai
1. DG output is either recognized by the utility with all other resources as serving all electric system load, or associated with specific customers	CA KIUC HECO				
2. For purposes of this proceeding, DG is limited to "generating" supply-side resources and does not include DSM	CA KIUC HECO				
3. Generating units not considered DG for this proceeding include:	CA KIUC HECO				
(a) "isolated" generating units serving customers not connected to the utility grid; and	CA KIUC HECO				
"emergency" generating units that serve customer load only during period of utility outages, and that are (b) designed such that they are prevented from paralleling with the utility system. Emergency generating units that operate to serve customer load in non-emergency situations (i.e., when there is not a utility outage) are no longer emergency generators and will be considered DG.	CA KIUC HECO				
4. DG Feasible and Viable for Hawaii:	CA KIUC HECO				
In order for a form of DG to be "feasible and viable for Hawaii", it must be (1) technically feasible, (2) commercially available, (3) economically viable (i.e., cost-effective versus other options), (4) price competitive in the short-term, (5) sustainable in the long-term (i.e., backed up by adequate infrastructure support with respect to O&M and fuel), (6) able to address site-specific constraints (e.g., with respect to permitting) and (7) able to meet the perceived needs of customers. For customer-sited DG applications, the decision to install customer sited generation will be made by the customers, thus customers making up this market will determine whether a form of DG is feasible and viable for Hawaii.	CA KIUC HECO				
2. The viability and feasibility of available or planned DG technologies is site specific.	CA KIUC HECO				

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**Comparison of the Consumer Advocate's, KIUC's and HECO's Positions
on Distributed Generation (DG) Issues**

			Agree	Disagree	No Position	Comments
3	The viability and feasibility of available or planned DG technologies should be analyzed in context of each utility's IRP, to the extent practicable.		CA KIUC HECO			
2) Who should own and operate distributed generation projects?						
(A)	DG projects, whose output is included by the utility with all other resources to serve entire system load, should be owned and operated by:					
1.	For Substation-sited DG		CA KIUC HECO			
(a)	utilities only					
(b)	third party vendors only		CA KIUC HECO			
(c)	utilities or third party vendors		CA KIUC HECO			
2.	For Customer-sited DG					
(a)	customers or third party vendors/equipment lessors only		CA KIUC HECO			
(b)	utilities, third party vendors/equipment lessors or customers		CA KIUC HECO			* With KIUC right of first refusal on Kauai.
(B)	Utility participation in customer-sited DG projects should be permitted, provided that:					
1.	the utility's participation is in a manner that is not unduly or unreasonably preferential, discriminatory or anti-competitive		CA KIUC HECO			
2.	the utility's participation is:					
	(a) offered as a regulated utility service; or		HECO			
				CA*	CA*	KIUC
						*CA takes no position on whether it is regulated or unregulated; it could be either, but prefers regulated.

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**Comparison of the Consumer Advocate's, KIUC's and HECO's Positions
on Distributed Generation (DG) Issues**

		Agree	Disagree	No Position	Comments
	(b) offered through an unregulated subsidiary of the utility		HECO	CA* KIUC	*CA takes no position on whether it is regulated or unregulated; it could be either but prefers regulated.
3) What is the role of the regulated electric utility companies and the Commission in the deployment of distributed generation in Hawaii?					
(A) The utilities should					
1. plan for and facilitate deployment of DG through the IRP process by evaluating the cost-effectiveness of DG resources for inclusion in the utilities' resource plan.		CA KIUC HECO			* consistent with the above, CA is not advocating that the CHP systems be offered solely as a regulated service. * KIUC has no current plans to offer CHP systems. KIUC is undecided whether such systems, if so offered by KIUC, should be offered as a regulated or unregulated service.
2. offer CHP systems as a regulated service under circumstances where cost-effective and not burdensome to non-participating customers	HECO			CA** KIUC*	However, KIUC agrees that, if so offered, it should be cost-effective and not burdensome to non-participating customers.
3. identify specific areas or types of areas where DG is needed or could be most beneficial, to the extent practicable.		CA KIUC HECO			

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**Comparison of the Consumer Advocate's, KIUC's and HECO's Positions
on Distributed Generation (DG) Issues**

			Agree	Disagree	No Position	Comments
(B)	The Commission should:					
	require each utility to develop and have cost of service information and apply appropriate tariffs that result in a DG customer being served at a cost that is not subsidized by non-DG customers	1. customer	CA KIUC HECO			
	2. require each utility to consider DG in the utility's IRP cycle and implementation plans		CA KIUC HECO			
	3. require each utility to consider a competitive procurement process for utility-owned DG		CA KIUC HECO			
Impact Issues						
4) What impacts, if any, will distributed generation have on Hawaii's electric transmission and distribution systems and market?						
(A)	The potential positive impacts of DG are:					
	1. increased reliability (see Item 5), defer or avoid T&D upgrades, defer addition of large central generating units, reduce system losses, lowest reasonable rates to customers, provided that		CA KIUC HECO			
	(a) DG is planned and implemented in the context of the utility's IRP		CA KIUC HECO			
	(b) the utility considers the use of a competitive procurement process for utility-owned DG		CA KIUC HECO			
	(c) the utility's rates are such that, on a case-by-case basis, the implementation of DG will not cause the remaining customer base to subsidize DG.		CA KIUC HECO			
	(B)	The potential negative impacts of DG are:				
	1. loss of revenues to cover fixed costs if DG not utility owned		CA KIUC HECO			
5) What are the impacts of distributed generation on power quality and reliability?						
(A)	In order to avoid any substantive adverse impact on power quality, the DG must:					
	1. be interconnected to the grid in accordance with utility-approved standardized interconnection requirements,		CA KIUC HECO			

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**Comparison of the Consumer Advocate's, KIUC's and HECO's Positions
on Distributed Generation (DG) Issues**

			Agree	Disagree	No Position	Comments
2.	which requirements should be updated to meet applicable current IEEE standards,		CA KIUC			
3.	and meet applicable IEEE standards and be certified by the UL or other certification entities, to the extent practicable.		CA KIUC HECO			
(B)	The impact of DG on reliability relates to:					
1.	whether the DG is operated or controlled by the utility		CA KIUC HECO			
2.	is dependent upon location specific issues		CA KIUC HECO			
(C)	If DG is implemented in accordance with applicable standards and interconnection requirements:		CA KIUC HECO			
1.	reliability should be improved, not degraded, because of the deployment of DG in Hawaii		CA KIUC HECO			
2.	differences in operational features between DG technologies (i.e., firm versus as-available) need to be taken into account.		CA KIUC HECO			
6) What utility costs can be avoided by distributed generation?						
(A)	Costs that can be deferred or avoided by DG include:					
1.	costs associated with new generating units, avoided line losses, and T&D upgrades		CA KIUC HECO			
2.	provided that DG is installed in the context of the utility's IRP plan		CA KIUC HECO			
3.	and a competitive procurement process is utilized for utility-owned DG		CA KIUC HECO			
(B)	The utility costs avoided by DG are dependent on:					
1.	the specific nature of the area's T&D system and the ability to site DG there, and		CA KIUC HECO			
2.	the number and diversity of installations, their reliability, ability of non-utility owned/operated to coordinate operation and maintenance with the utility, and their sustainability;		CA KIUC HECO			

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**Comparison of the Consumer Advocate's, KIUC's and HECO's Positions
on Distributed Generation (DG) Issues**

			Agree	Disagree	No Position	Comments
3.	noting, however, that such avoided cost benefits may be offset by the utility's loss of revenue recovery of fixed costs.		CA KIUC HECO			
7) What are the externalities costs and benefits of distributed generation?						
(A) The potential externalities benefits from DG are:						
1.	reduction in fossil fuel use and emissions from non-fossil fuel or combined heat and power DG		CA KIUC HECO			
2.	conservation of water		CA KIUC HECO			
3.	energy security		CA KIUC HECO			
4.	ability to match load growth with new DG rather than large increments of central station power		CA KIUC HECO			
5.	ability to meet specific customer needs with smaller resources		CA KIUC HECO			
6.	the ability of DG to switch quickly to new technology compared to large generating units		CA KIUC HECO			
7.	the ability to improve reliability		CA KIUC HECO			
(B) The potential externalities costs that can result from DG include:						
1.	loss of economy of scale of large generating units		CA KIUC HECO			
2.	increased fuel use and emission from less efficient fossil fuel DG		CA KIUC HECO			
3.	air emissions, noise and visual impact of DG located in close proximity to customers		CA KIUC HECO			

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**Comparison of the Consumer Advocate's, KIUC's and HECO's Positions
on Distributed Generation (DG) Issues**

			Agree	Disagree	No Position	Comments
4.	performance and safety risks of DG not under utility ownership, operation and control		CA KIUC HECO			
(C)	Externalities costs and benefits:					
1.	should be considered as an integral part of the analysis conducted of DG,		CA KIUC HECO			
2.	DG should be subject to the same scrutiny, analysis and quantification as would any other supply-side resource or DSM measure,		CA KIUC HECO			
3.	should be evaluated in the utility's IRP planning process.		CA KIUC HECO			
8)	What is the potential for distributed generation to reduce the use of fossil fuels?					
(A)	Depending on the type of DG technology and site-specific factors, DG can reduce the use of fossil fuels in a number of ways:		CA KIUC HECO			
1.	Certain types of DG technology rely on renewable resources to generate energy (e.g., solar energy (photovoltaics), wind turbines and hydro).		CA KIUC HECO			
2.	DG in most cases will reduce delivery system losses		CA KIUC HECO			
3.	DG that also serves thermal load, such as CHP facilities, can do so at an overall higher efficiency resulting in a reduction of fossil fuel use		CA KIUC HECO			
	Implementation Issues					
9)	What must be considered to allow a distributed generating facility to interconnect with the electric utility's grid?					
(A)	A number of factors may be considered in making the determination, including the:					
1.	party that will own the facility;		CA KIUC HECO			
2.	party that will operate the facility;		CA KIUC HECO			

**Comparison of the Consumer Advocate's, KIUC's and HECO's Positions
on Distributed Generation (DG) Issues**

				Agree	Disagree	No Position	Comments
3.	current industry DG design, installation and operation practices, and whether the facility will meet or exceed those practices.			CA KIUC HECO			
4.	utility interconnection and operational requirements and whether the facility will meet or exceed those requirements			CA KIUC HECO			
5.	applicable National Electric Code (NEC), Institute of Electrical and Electronic Engineers (IEEE) standards, and American National Standards Institute (ANSI) standards, and whether the facility will meet those standards;			CA KIUC HECO			
6.	approval of applicable certification entities, such as the Underwriters Laboratory (UL), for the facility and its subsystems and components; and			CA KIUC HECO			
7.	compliance with State and site-specific siting approvals and building and fire safety codes.			CA KIUC HECO			
(B)	Each utility should have Commission approved interconnect standards and agreements to qualify or approve DG facilities for interconnection with the utility's grid.			CA KIUC* HECO			* KIUC is in the process of developing these standards
(C)	The ownership structure of the utility (cooperative versus investor-owned) must be taken into account			CA KIUC			HECO
10) What is the appropriate rate design and cost allocation issues that must be considered with the deployment of distributed generation facilities?							
(A)	Cost Allocation Issues						
1.	The cost of service (i.e., T&D, ancillary services, etc.) provided to DG customers would be identified and quantified in a cost of service study for each utility			CA KIUC HECO			
2.	The level of effort and detail for the cost of service study should be balanced with the information available, the cost of developing additional data, and the magnitude of the DG market and its impact on the utility's revenue recovery and revenue stability.			CA KIUC HECO			

**Comparison of the Consumer Advocate's, KIUC's and HECO's Positions
on Distributed Generation (DG) Issues**

			Agree	Disagree	No Position	Comments
(B)	Rate Design Issues		CA KIUC HECO			
1.	Intra and inter class subsidies between customers in a rate class and between rate classes cause loss of revenue issues and an adverse impact on the remaining customers' rates.					
2.	A tiered-rate system (where increasing levels of usage are billed at higher rates), combined with a low customer charge, could be implemented to encourage DG.	HECO	CA KIUC			
(C)	Existing utility bundled rates					
1.	should be supported by a cost of service study such that DG customers compensate the utility for the costs of services provided;	CA KIUC HECO				
11) What revisions should be made to the integrated resource planning process?						
(A)	DG must be included in each utility's IRP cycle and implementation plans	CA KIUC HECO				
1.	No changes to the IRP Framework are required for the consideration of DG.					
12) What revisions should be made to state administrative rules and utility rules and practices to facilitate the successful deployment of distributed generation?						
(A)	Revisions to the following existing administrative rules may be required:					
1.	HAR6-61-Rules of Practice and Procedure before the Public Utility Commission;	CA KIUC HECO				
2.	HAR6-74-Standards for Small Power Producers and Cogeneration; and	CA KIUC HECO				
3.	Title VII, General Order No. 7, Standards for Electric Utility Service in the State of Hawaii.	CA KIUC HECO				
						10:00 a.m.
						10/22/04

**Comparison of the Consumer Advocate's, KIUC's and HECO's Positions
on Distributed Generation (DG) Issues**

			Agree	Disagree	No Position	Comments
		4. It may be appropriate to develop a specific administrative rule for DG.				CA KIUC HECO
(B)	The Commission should					
	1. approve the HECO Utilities' proposed CHP program and CHP tariff, and expeditiously review and	HECO				*CA takes no position because the matter is to be decided in Docket No. 03-0366
	2. approve applications for individual CHP projects under Rule 4 of the HECO Companies' tariffs.	HECO				*CA takes no position because the matter is to be decided in Docket No. 03-0366
(C)	In order for the utilities to participate in customer-sited DG, the review and approval processes need to be streamlined					
	1. Standard form contracts should be adopted					CA KIUC HECO
	2. Tariff structures for DG should be implemented					CA KIUC HECO
	3. The process of demonstrating rate payer benefits should be standardized for each utility, taking into consideration, among other things, the ownership structure of the utility (cooperative vs. investor-owned)					CA KIUC HECO
(D)	Fuel cost recovery methodologies:					
	1. should be revised to accommodate DG.					CA KIUC HECO

**EXHIBIT
KIUC-RT-102**



October 8, 2004

Mr. Glenn Sato
Energy Coordinator
County of Kaua'i
Suite 200
4444 Rice Street
Lihu'e, Hawai'i 96766

Re: Docket No. 03-0371; Instituting a Proceeding to Investigate Distributed Generation in Hawaii

Dear Mr. Sato:

Thank you for meeting with me on October 7, 2004. As discussed at that meeting, Kaua'i Island Utility Cooperative (KIUC) is very cognizant of the desirability of providing opportunities for its members and other customers to have input regarding resource planning, including distributed generation (DG).

A draft of KIUC's first Integrated Resource Plan (IRP) framework will be presented to KIUC's Board at its October 27, 2004 meeting for their initial comments. At that time, I will strongly recommend to the Board that, after incorporating their initial comments into the draft IRP framework, the Board authorize KIUC's management to distribute copies of the draft IRP framework for public review at public libraries and at KIUC's office beginning on or about November 1, 2004. I will also request that the draft IRP framework be posted on KIUC's website at that time. Further, we intend to notify our members and customers of the opportunity to review and comment on the draft IRP framework prior to and at KIUC Board's November meeting. The notice will be provided possibly through a bill stuffer or through the news media, and will provide the date and time of the November meeting. It is expected that the draft IRP framework will be further discussed and, if appropriate, proposed for adoption at that meeting. According to the Board's policies, members of the public may submit written testimony or testify in person at the November Board meeting. If the draft IRP framework is not adopted at the November Board meeting, it will then be submitted for adoption only at the December Board meeting.

After the IRP framework is approved by the Public Utilities Commission (in 2005), KIUC will begin developing its first IRP. While I cannot guarantee that the approved IRP framework will contain similar processes as discussed above, I intend to advocate in favor of such processes to be an integral part of the adoption of the IRP.

Thank you again for meeting and discussing our common concerns and interests regarding public input. Please call me at 246-8217, if you have any further questions regarding our intended procedures in connection with DG.

Very truly yours,

A handwritten signature in black ink, appearing to read "Alton Miyamoto".
Alton Miyamoto
President & Chief Executive Officer

cc: Lani Nakazawa, Esq.

✓Alan Oshima, Esq.

David Proudfoot, Esq.

CERTIFICATE OF SERVICE

I (we) hereby certify that copies of the foregoing document were duly served on the following parties, by having said copies delivered as set forth below:

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DATED: Honolulu, Hawai'i, October 22, 2004.



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